

# United Farmers of Canada

Saskatchewan Section  
Limited



## Report

*on Negotiations to Separate Trading from Educational Organization and Create a Co-operative Wholesale Society, as Submitted to Convention by Board of Directors, and Passed by the Convention.*

### GENERAL

Instructions to separate the Trading Department from the Educational Organization are found in the following resolution which was passed at the Annual Convention of the Association held in 1927:

WHEREAS the United Farmers of Canada, Saskatchewan Section, Limited, has been formed primarily as an Educational Organization; AND WHEREAS in the opinion of this Convention the fact of there being a Trading Department in the Association weakens the Association as an Educational group; and takes away from the Association its distinctive character as an Educational Organization;

THEREFORE BE IT RESOLVED that the Board of Directors take immediate steps to completely separate the Trading Department, having regard in so doing to the safeguarding of the interests of the debenture holders and creditors and keeping in mind the principle of co-operative purchase by our members.

With a view to carrying out these instructions, various conferences have been held, one in June, one in August, and one in November. At each of these conferences, representatives of the Co-operative Stores, the Trading Department, and the Educational Organization of the United Farmers of Canada have been present. At the June meeting,

a small committee was appointed to work with the solicitor in devising a plan which would be in conformity with the instructions of the Convention. Mr. Sapiro attended the August conference and made certain recommendations of a general nature regarding the establishment of a Co-operative Wholesale Society and the sale to it of the assets of the Trading Department. Prior to the November conference, the suggested plan was worked out in greater detail by the solicitor and at this conference it was decided to place the proposed scheme before the debenture holders by means of a circular. This has been done.

### PROPOSED PLAN

The proposed plan is briefly this:

1. That a Co-operative Wholesale Society with wide powers be incorporated by:
  - (a) representatives of the debenture holders interested in the Trading Department;
  - (b) representatives of the Co-operative Stores;
  - (c) representatives of the United Farmers of Canada, Saskatchewan Section Limited, acting on behalf of the Local-Lodges now doing business with the Trading Department.
2. That on the establishment of this Wholesale Society the United Farmers of Canada, Saskatchewan Section Limited, sell to the Society the assets of the Trading Department in consideration for Preference shares in the new company.
3. That the amount of such Preference shares will be (as nearly as can be estimated) the actual value of the assets of the Trading Department and that these Preference shares be distributed amongst the debenture holders according to the value of debentures held, and that the debenture holders be requested to release the United Farmers of Canada from all liability under the said debentures.
4. That these Preference shares will carry similar voting privileges and control, to that which attaches to the debentures, but shall be non-cumulative and pay six (6) percent dividends.
5. That the proposed company obtain additional capital by allotting shares to the Co-operative Stores and also to Local-Lodges carrying on business with the Wholesale Society.
6. That it be made a condition of the sale that trading privileges be retained to the Local-Lodges of the United Farmers of Canada.
7. That the control of the proposed Wholesale Society be exercised through delegates representing the three classes of shareholders:
  - (a) **Preference Shareholders** (former debenture holders)—The limited voting privileges which will be retained by the Preference Shareholders will be exercised through delegates who will elect three directors to the Board of Directors of the Wholesale Society.
  - (b) **Co-operative Stores**.—The qualifications for delegates of a Co-operative Association will be:

- (1) Twenty paid-up shares of \$5.00 each.
  - (2) 100 shares subscribed (\$5.00 each). The balance of share capital may be paid up from patronage dividends after the above qualifications have been complied with, that is, after \$100.00 has been paid in cash, the remaining \$400.00 can be paid up from patronage dividends.
  - (3) One representative for every 100 shareholders or major portion thereof, or in any case one representative.
- (c) **Local-Lodges.**—The qualifications for delegates from a Local-Lodge will be the same as a Co-operative Association except that one delegate will be allowed for 100 members or major portion thereof, and in any case, one delegate for each Lodge, and the Trading privileges will be retained to Local-Lodges of the United Farmers of Canada, but there will be no representation except under one of the above.
8. That a system be introduced as between the Wholesale Society and the Co-operative Stores whereby there will be a certain measure of supervision which will lead to standardization of commodities and uniformity of system.
  9. That each body mentioned, Debenture Holders, United Farmers of Canada, Saskatchewan Section Limited, and Co-operative Stores each appoint three representatives to form a provisional Board of Directors of the proposed Co-operative Wholesale Society.

In preparation for the introduction of this plan, certain changes in the Agricultural Co-operative Associations Act were deemed necessary. At the present time, profit making, as well as co-operative enterprises, may incorporate under the Act. This situation leads to a great deal of variation and the Government was asked to have the Act amended so that its advantages and privileges would extend only to enterprises conducted according to co-operative principles, and that ventures undertaken for profit be compelled to incorporate under the provisions of the Joint Stock Companies Act. The proposed change will lead to uniformity and will pave the way for the establishment of a Co-operative Wholesale Society.

Secondly, for the encouragement of co-operation, it was deemed advisable to have the scope of the Act widened in order that consumers of all classes might take advantage of its provisions and not only the agricultural class.

Furthermore, it was recommended that the use of the word "Co-operative" be restricted to associations purely co-operative.

It is understood that these and certain minor changes are being made in the Act at the present session of the Legislature, thus giving us a strictly Co-operative Act such as Manitoba has.

Referring again to the resolution passed by the Convention, the separation of the Trading Department was to take place only on the following conditions:

1. The safeguarding of the rights of debenture holders.
2. The safeguarding of the rights of creditors.

3. Retention of the principle of co-operation by the members of the Association.

The conditions under which the last Annual Convention decided to separate the Trading Department are as follows:

First, that the rights of debenture holders be protected. From a legal standpoint, the United Farmers of Canada have the right to carry out the proposed plan. This phase of the matter has been considered carefully and it is the opinion of the Legal Department that the Association has the right to set aside the Trading Department on the basis mentioned. In view of the importance of having the debenture holders protected, it was deemed advisable to have the opinion of the Legal Department confirmed by an authority on corporation law. Mr. George Barr, K.C., of Regina, was therefore consulted and it is his opinion that the United Farmers of Canada have a legal right to carry out the scheme as suggested. Furthermore, it is contemplated that the re-organization will be to the benefit, rather than to the detriment of the debenture holders.

The second condition which had to be considered in working out this plan was the protection of the creditors. In order to sell the assets, it will be necessary to comply with the provisions of the Bulk Sales Act, and in doing this, the rights of the creditors will be amply protected.

Under the third condition it was also necessary that the principle of co-operative purchase by our members be kept in mind in separating the Trading Department. This condition is being fulfilled by establishing a Co-operative Society with which the Local-Lodges and the Co-operative Stores can be linked. In this way, the Trading privileges of the Local-Lodges throughout the province are retained and there will be no disruption in the service rendered to them. There is no intention whatever to launch a campaign for the establishment of Co-operative Associations in Saskatchewan. The idea which is being carried out in this plan is to continue the service to Local-Lodges and Co-operative Stores throughout the province and to have this service continued by an organization entirely separate from the United Farmers of Canada. Through education, the Co-operative enterprise will gradually grow, but there is no intention to launch a campaign of any kind in connection with the proposed Wholesale Society. The aim is to eventually have the Wholesale Society entirely controlled by the Association and Locals which are patrons.

The plan as outlined appears, after full investigation, to carry out to the letter the instructions contained in the resolution of the United Farmers of Canada, Saskatchewan Section Limited, and also appears to be in the interests of all parties concerned.

If the Convention adopts this plan, the following steps should be taken:

1. Three representatives should be elected to act on the provisional Board of the proposed Wholesale Association, or the Board of Directors may be given power to appoint three representatives.
2. The plan provides for the provisional Directors and your Board of Directors having authority to vary the plan in detail as seen necessary, and a resolution should be passed adopting the scheme as outlined with such variations as may be agreed upon.